MONTANA LEGISLATIVE HISTORY

Chapter 57 1987

Bill H _____ S 46 Original bill & history ✓ C

H. Committee on Ag, Livestock		S. Committee on Ag, Livestock	
Hearing Date(s) _____	___C	Hearing Date(s) _____	___C
2/13	✓ C	1/19	✓ C
_____	___C	_____	___C
_____	___C	_____	___C
Date Out 3/6	___C	1/24	✓

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

1/22	2ND READING PASSED	47	0
1/24	3RD READING PASSED	46	0
	TRANSMITTED TO HOUSE		
2/04	REFERRED TO HIGHWAYS & TRANSPORTATION		
2/19	HEARING		
3/02	COMMITTEE REPORT--BILL CONCURRED AS AMENDED		
3/04	2ND READING CONCURRED	96	0
3/05	3RD READING CONCURRED	98	0
	RETURNED TO SENATE WITH AMENDMENTS		
3/18	2ND READING AMENDMENTS CONCURRED	48	0
3/19	3RD READING AMENDMENTS CONCURRED	49	0
3/24	SIGNED BY PRESIDENT		
3/25	SIGNED BY SPEAKER		
3/25	TRANSMITTED TO GOVERNOR		
3/29	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 262 EFFECTIVE DATE: 10/01/87		

SB 44 INTRODUCED BY FARRELL
TRANSFER LARGER TRUCKS AND TRAILERS FROM CLASS TEN TO CLASS EIGHT FOR PROPERTY TAXATION

1/06	INTRODUCED		
1/06	FISCAL NOTE REQUESTED		
1/06	REFERRED TO TAXATION		
1/08	FISCAL NOTE RECEIVED		
1/10	HEARING		
1/10	FISCAL NOTE REQUESTED		
1/20	FISCAL NOTE RECEIVED		
2/04	COMMITTEE REPORT--BILL PASSED AS AMENDED		
2/07	2ND READING PASSED	37	10
2/10	3RD READING PASSED	44	6
	TRANSMITTED TO HOUSE		
2/18	REFERRED TO TAXATION		
3/10	HEARING		
4/06	COMMITTEE REPORT--BILL CONCURRED AS AMENDED		
4/09	2ND READING CONCURRED	62	33
4/10	3RD READING CONCURRED	69	27
	RETURNED TO SENATE WITH AMENDMENTS		
4/15	2ND READING AMENDMENTS CONCURRED	50	0
4/15	3RD READING AMENDMENTS CONCURRED	50	0
4/17	SIGNED BY PRESIDENT		
4/20	SIGNED BY SPEAKER		
4/20	TRANSMITTED TO GOVERNOR		
4/23	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 584 EFFECTIVE DATE: 7/01/87		

SB 45 INTRODUCED BY WILLIAMS, B.
SUBJECT THE GROSS PROCEEDS OF GEMSTONE MINES TO TAXATION

1/06	INTRODUCED		
1/06	FISCAL NOTE REQUESTED		
1/06	REFERRED TO TAXATION		
1/12	FISCAL NOTE RECEIVED		
1/13	HEARING		
2/05	ADVERSE COMMITTEE REPORT ADOPTED	42	8

SB 46 INTRODUCED BY NEUMAN

EXTEND AGRICULTURAL LOAN LINKED DEPOSIT PROGRAM
BY REQUEST OF JOINT INTERIM SUBCOMMITTEE ON
AGRICULTURAL PROBLEMS

1/06	FISCAL NOTE REQUESTED		
1/07	INTRODUCED		
1/07	REFERRED TO AGRICULTURE, LIVESTOCK & IRRIGATION		
1/13	FISCAL NOTE RECEIVED NOT SIGNED BY SPONSOR		
1/19	HEARING		
1/24	COMMITTEE REPORT--BILL PASSED AS AMENDED		
1/28	2ND READING PASSED	41	8
1/30	3RD READING PASSED	46	4
	TRANSMITTED TO HOUSE		
2/04	REFERRED TO AGRICULTURE, LIVESTOCK & IRRIGATION		
2/13	HEARING		
3/06	COMMITTEE REPORT--BILL CONCURRED AS AMENDED		
3/09	2ND READING CONCURRED	95	1
3/09	3RD READING CONCURRED	97	0
	RETURNED TO SENATE WITH AMENDMENTS		
3/11	2ND READING AMENDMENTS CONCURRED	50	0
3/12	3RD READING AMENDMENTS CONCURRED	50	0
3/13	SIGNED BY PRESIDENT		
3/13	SIGNED BY SPEAKER		
3/13	TRANSMITTED TO GOVERNOR		
3/13	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 57 EFFECTIVE DATE: 3/13/87		

SB 47 INTRODUCED BY GAGE
STATE-TRIBAL COOPERATIVE AGREEMENTS TO ASSESS AND COLLECT TAXES
BY REQUEST OF DEPARTMENT OF REVENUE, COMMITTEE ON INDIAN AFFAIRS, AND REVENUE OVERSIGHT COMMITTEE

1/06	INTRODUCED		
1/06	FISCAL NOTE REQUESTED		
1/06	REFERRED TO TAXATION		
1/09	FISCAL NOTE RECEIVED		
1/13	HEARING		
1/13	COMMITTEE REPORT--BILL PASSED AS AMENDED		
1/15	2ND READING PASSED	50	0
1/17	3RD READING PASSED	48	2
	TRANSMITTED TO HOUSE		
2/04	REFERRED TO TAXATION		
3/12	HEARING		
3/16	COMMITTEE REPORT--BILL NOT PASSED		
3/17	ADVERSE COMMITTEE REPORT ADOPTED	83	10
3/17	RETURNED TO SENATE NOT CONCURRED		

SB 48 INTRODUCED BY BROWN, R., ADDY, THAYER
PERIODIC PAYMENT OF FUTURE DAMAGES IN CERTAIN CIVIL SUITS
BY REQUEST OF JOINT INTERIM SUBCOMMITTEE ON LIABILITY ISSUES

1/06	INTRODUCED		
1/06	REFERRED TO JUDICIARY		

SENATE BILL NO. 46

INTRODUCED BY NEUMAN

BY REQUEST OF THE JOINT INTERIM SUBCOMMITTEE ON AGRICULTURAL PROBLEMS

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND CONTINUE THE AGRICULTURAL LOAN LINKED DEPOSIT PROGRAM; AMENDING SECTIONS 17-6-103 AND 80-14-102, MCA, AND SECTION 9, CHAPTER 5, SPECIAL LAWS OF MARCH 1986; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 80-14-102, MCA, is amended to read:

"80-14-102. (Temporary) Definitions. As used in this chapter, the following definitions apply:

(1) "Board" means the board of investments established under 2-15-1005.

(2) "Eligible agricultural operation" means any person, corporation, partnership, or other entity which is engaged in the production of agricultural, livestock, poultry, dairy, or fruit or other horticultural products and which:

(a) derives at least 70% of its gross income from such production; and

(b) has total financial liabilities exceeding 30% of its total assets.

(3) "Eligible lending institution" means a financial institution that:

(a) is eligible to make commercial loans;

(b) is a public depository of state funds; and

(c) agrees to participate in the linked deposit program established by this chapter.

(4) "Linked deposit" means an agreement between the board and an eligible financial institution whereby a certificate of deposit for a term not less than 30 days and not exceeding 6 12 months is placed by the board with an eligible lending institution at a rate 1% below the current market rate for such a deposit, as determined by the board, provided the institution agrees to lend the value of such deposit, pursuant to the deposit agreement provided in 80-14-202, to eligible agricultural operations at an interest rate not exceeding 2 3 percentage points greater than the rate payable on the certificate of deposit."

Section 2. Section 17-6-103, MCA, is amended to read:

"17-6-103. Security for deposits of public funds. The following kinds of securities may be pledged or guarantees may be issued to secure deposits of public funds:

(1) direct obligations of the United States;

(2) securities as to which the payment of principal and interest is guaranteed by the United States;

INTRODUCED BILL

SB-46

(3) securities issued or fully guaranteed by the following agencies of the United States or their successors, whether or not guaranteed by the United States:

(a) commodity credit corporation;

(b) federal intermediate credit banks;

(c) federal land bank;

(d) bank for cooperatives;

(e) federal home loan banks;

(f) federal national mortgage association;

(g) government national mortgage association;

(h) small business administration;

(i) federal housing administration; and

(j) federal home loan mortgage corporation;

(4) general obligation bonds of the state or of any county, city, school district, or other political subdivision of the state;

(5) revenue bonds of any county, city, or other political subdivision of the state, when backed by the full faith and credit of such subdivision or when the revenues pledged to the payment of the bonds are derived from a water or sewer system and the issuer has covenanted to establish and maintain rates and charges for the system in an amount sufficient to produce revenues equal to at least 125% of the average annual principal and interest due on all bonds payable for such revenues during the outstanding term of

such bonds;

(6) interest-bearing warrants of the state or of any county, city, school district, or other political subdivision of the state issued in evidence of claims in an amount which, with all other claims on the same fund, do not exceed the amount validly appropriated in the current budget for expenditure from the fund in the year in which they are issued;

(7) obligations of housing authorities of the state secured by a pledge of annual contributions or by a loan agreement made by the United States or any agency thereof providing for contributions or a loan sufficient with other funds pledged to pay the principal of and interest on the obligations when due. Subject to rules prescribed by the department of commerce, the bonds and other obligations made eligible for investment in 32-1-424(3) and 7-15-4505 may be used as security for all deposits of public funds or obligations for which depository bonds or any kind of bonds or other securities are required or may by law be deposited as security.

(8) general obligation bonds of other states and of municipalities, counties, and school districts of other states;

(9) undertaking or guarantees issued by a surety company authorized to do business in the state;

(10) first mortgages and trust indentures on real property. The depository shall, on a quarterly basis, certify to the state treasurer that sufficient first mortgages and trust indentures on real property are available and segregated to secure deposits of public funds. The board of investments shall determine the amount of security required.

(11) bonds issued pursuant to Title 7, chapter 12, parts 21 and 41;

(12) bonds issued pursuant to Title 90, chapter 6, part 1;

(13) revenue bonds issued by any unit of the university system of the state of Montana; ~~and~~

(14) advance refunded bonds secured by direct obligations of the United States treasury held in irrevocable escrow~~;~~ and

(15) linked deposit loan obligations incurred under 80-14-203."

Section 3. Section 9, Chapter 5, Special Laws of March 1986, is amended to read:

"Section 9. Effective date -- termination. ~~(1)~~ This act is effective on passage and approval and terminates ~~March 15, 1987~~ June 30, 1989.

~~(2) The authority of the board to make linked deposits under this act terminates August 31, 1986.~~"

-End-

that, in the final decree, the irrigation direct flow rights be adjudicated only by flow rights and not by volume. Some rights should be described by both flow rate and volume and they would give the water court that option.

Mike Zimmerman, attorney for MT Power Co., said he does not oppose the concept of the bill, but supports the DNRC amendments because the words, "historically have been measured" creates an ambiguity he would like cleared up pertaining to reservoir rights. Many of their reservoir rights have not been subject to decree in the past, nor have hydro electric reservoir rights. He wanted to be assured that when they go to the water court to make their case they will be able to show the right of both volume and flow so they are not limited through the legislation before the committee.

COMMITTEE QUESTIONS: Senator Bengtson asked if the flow rate necessitates metering all water used for irrigation. Senator Story said it does in situations where it affects another user. There are about 200,000 water rights and probably not an accurate measurement device for one in a hundred. Where there are ditch riders or water commissioners the streams have to have accurate measuring devices. Where the devices aren't in, if a neighbor thinks someone is using more water than he is entitled to and the neighbor also has a right on that stream, he can make him put in a measuring device.

Senator Thayer asked Senator Story to comment on the DNRC amendments. Senator Story said he would like to go over them with his attorney first. He had not heard of the term "water spreading".

Gary Fritz said water spreading was not defined in the statutes but it is a method of irrigation in southeastern Montana. People throw up dikes across small gullies and there is no way the water flowing into those dikes can be controlled. The water flows down the gullies and flows into the dikes and you couldn't determine a flow rate. Those types of dikes would have to be measured by volume.

Hearing closed on SB 102.

CONSIDERATION OF SB 46: Senator Ted Neuman, SD 21, said this bill reauthorizes the use of the link deposit program the legislature put into effect during the special session in March. Testimony attached as exhibit #3.

PROPONENTS: Mike Grove, Governor's Council on Economic Development, served as chairman of the Ag Debt Subcommittee.

They recommend this bill in its entirety. He said the system had not been in force long enough for the lending institutions to fully understand it. Other agricultural states had 2 1/2 to 5% spreads so this was the reason for asking for a 3% spread. Renewing this program for the two year biennium would give lenders time to learn bookkeeping requirements and how to work with the BD of Investments. Farm operating funds have too short a period of time to generate funds. Operating time varies by type of operation. For ranching it can be November to spring and spring to fall for the farmer. When the BD of Investments puts public funds into a Montana lending institution, anything over or above the FDIC or FSLIC coverage, which is $100,000, has to be secured. The pledging requirement is at the discretion of the Board. They can require all the way from 100% to 50% coverage. If the lender is highly loaned out after 2 loans he would need to secure those loans. They felt it was not imprudent to use the loan generated by the funds as eligible security to pledge because crops could be covered by crop insurance and cattle loans would have a calf crop. The BD of Investments could take some margins and say the loans would have to have a good base to be eligible for the collateral.

Ralph Peck, Department of Agriculture, in support. Testimony attached as exhibit #4.

Kay Norenberg, WIFE, Carol Mosher, MT Stockgrowers and MT Cattle Women, on record in favor.

Terry Murphy, President, MT Farmers Union, on record in support, as well as the MT Grange and MT Cattlemans Associations.

John Cadby, MT Bankers Assoc., hesitated to fully endorse the program. He didn't think it would solve a lot of problems. It has helped 42 borrowers, but the risk of each loan is still with the lenders. There isn't any transfer of risk as in SBA or Farmers Home FmHA loans. Any banker is going to try to transfer his risk if he can, but at the same time give the ag producer the lowest rate of interest. He said bankers would use Farmers Loan Admn. guaranteed loans in preference to this program. The cost to the state will vary depending upon its usage. It has a potential cost to the state of a half million dollars per year. It is impossible for him to predict to what extent the amendments made to the law will increase usage throughout the state of MT.

Bob Pyfer, MT Credit Unions League, endorsed the bill.

OPPONENTS: None.

COMMITTEE QUESTIONS: Senator Beck felt the way the bill is written it makes money available but the problem is that banks are short of good borrowers. He asked if this particular law addressed any of them. John Cadby answered that banks are not short of capital to loan out except in a few instances. The problem is the borrower's ability to repay the loan. Those who have a 30% debt to asset ratio are not the best risk so the lender will have to exercise caution in making those loans. There is no doubt credit will be more restrictive. This bill saves the ag producer about $1000. To a large unit this is not much of a savings.

Mike Grove agreed with Mr. Cadby saying the problem will be very critical this spring. Because of the state's involvement it does solve the liquidity problem.

Senator Beck asked if 3% is the CD rate they were taking a reduction from. Senator Neuman answered that 3% is the amount the banks may take to service the loans. The BD of Investments places the money in the bank for 1% less than current national CD rates. The banker would tack on 3% to that rate, thus making the ag loan available at 7.75% at the present time. He estimated on a $50,000 loan the interest saving to the farmer could be $1500.

Senator Bengtson asked where the new language in the bill was concerning pledging. Senator Neuman answered page 5, line 17. That part refers to using the loan as security.

In closing Senator Neuman said that moving the $1500 in the direction of the borrower was significant. It may not seem like a lot of money, except when you don't have it. It is a minimal effort on the part of the state. He asked the committee's support and drew attention to some amendments. In drafting the bill all the sections weren't amended to conform to the new law.

Dave Cogley, Legislative Council, presented the amendments, exhibit #5.

Senator Boylan announced the Agriculture Committee would meet Wed., Jan. 21 at 1:00 p.m. to reopen SB 4 and take executive action on SB 46 and SB 102.

Senator Galt said he would not be here Wed., and asked to leave his vote. Senator Boylan said, yes.

There being no further business, the meeting adjourned at 2:10 pm.

PAUL F. BOYLAN, Chairman

Summary - Senate Bill No. 46
Dave Cogley, committee staff

The bill continues until June 30, 1989, the agricultural production loan linked deposit program set up during the March special session. Under that program the board of investments will deposit public funds available for investment at 1% less than the current rate the board gets for its CD's, in lending institutions which agree to make agricultural production loans. Such loans may not exceed $50,000 per borrower, and the borrower must derive at least 70% of his income from agricultural production and have debts exceeding 30% of total assets.

Senate Bill 46 makes only three changes in the original program:

1) The allowable spread between the rate on the CD placed with the bank and the agricultural loan rate is increased from 2% to 3%.
2) The allowable term of the qualifying loan is changed from 6 months to 1 to 12 months.
3) A participating bank is allowed to use the agricultural loan as security for the deposit placed by the board of investments.

The amount of deposits placed by the board of investments at any time may not exceed $50 million. A companion appropriation bill has been drafted to appropriate money to replace the 1% earnings lost to the funds used to make deposits under the linked deposit program, which at most could be $500,000 for each year of the biennium.

During the program's life in 1986 $1,895,000 was loaned by 6 participating lending institutions to 42 borrowers.

SENATE AGRICULTURE
EXHIBIT NO. 3
DATE 1-19-87
BILL NO. SB 46

TED SCHWINDEN
GOVERNOR

STATE OF MONTANA
DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR
AGRICULTURE/LIVESTOCK BLDG.
CAPITOL STATION
HELENA, MONTANA 59620-0201

TELEPHONE:
AREA CODE 406
444-3144

KEITH KELLY
DIRECTOR

TESTIMONY OF MONTANA DEPARTMENT OF AGRICULTURE
FOR THE SENATE AGRICULTURE, LIVESTOCK AND IRRIGATION COMMITTEE
ON SENATE BILL 46
MONDAY, JANUARY 19, 1987
HELENA, MONTANA

Chairman Boylan and members of the Committee. The Montana Department of Agriculture supports Senate Bill 46 for the temporary continuation of the Agricultural Loan Linked Deposit Program.

The problems facing our state's agricultural industry have not disappeared. Studies now indicate that Montana's adverse economic conditions in agriculture and other industry have not yet bottomed out and may not for sometime to come.

High interest rates are one of the primary factors contributing to the cashflow problems facing our farmers and ranchers. The Agricultural Loan Linked Deposit Program will provide relief from high interest rates for some of our state's producers. The availability of the lower interest rate financing may make the difference as to whether or not a farmer or rancher is able to continue in agriculture.

Senate Bill 46 also addresses concerns that have been noted by lenders around the state and the Governor's Council on Economic Development.

For these reasons the Montana Department of Agriculture supports Senate Bill 46.

SENATE AGRICULTURE
EXHIBIT NO. 4
DATE 1-19-87
BILL NO. SB 46

An Affirmative Action/Equal Employment Opportunity Employer

Senate Bill No. 46 Amendments (Introduced bill)

1. Title, line 8
Following: "17-6-103"
Strike: "AND"
Insert: ","

2. Title, line 8.
Following "80-14-102,"
Insert: "80-14-202, AND 80-14-203,"

3. Page 2
Following: line 18
Insert: "Section 2. Section 80-14-202, MCA, is amended to read:

"80-14-202. (Temporary) Approval and acceptance of deposit -- deposit agreement. (1) The board may accept or reject the linked deposit loan package or any portion thereof.

(2) Upon acceptance of the linked deposit loan package or any portion thereof, the board may place certificates of deposit for a term not less than 30 days and not to exceed 6 12 months with the eligible lending institution at a rate 1% below the current market rate for such certificates, as determined by the board.

(3) The eligible lending institution must enter into a deposit agreement with the board, which shall specify the recipients, amount, rate of interest, and length of time of loans which the institution will make upon receiving a linked deposit. The agreement must also specify that interest on the linked deposit must be paid at the times determined by the board.

(4) The period of time for which a certificate of deposit is placed with an eligible lending institution may be neither longer nor shorter than the period of time for which the linked deposit is used to provide loans at reduced interest rates."

Section 2. Section 80-14-203, MCA, is amended to read:

"80-14-203. (Temporary) Linked deposit loans. (1) Upon placement of a linked deposit with an eligible lending institution, the institution must lend such funds to each approved eligible agricultural operation listed in the linked deposit loan package required by 80-14-201 and in accordance with the deposit agreement required by 80-14-202. Each loan must be at a fixed rate of interest not exceeding ~~2~~ 3 percentage points greater than the rate payable on the linked deposit.

(2) All records and documents pertaining to each loan shall be segregated by the lending institution for ease of identification and examination.

SENATE AGRICULTURE
EXHIBIT NO. 5
DATE 1-19-97
BILL NO. SB 46

SB
Senate amend.

(3) Each eligible agricultural operation receiving a loan under this chapter shall promptly certify receipt of the loan to the board in the form and manner prescribed by the board.

(4) Any report of noncompliance by an eligible lending institution chartered under the laws of this state must be referred to the financial division of the department of commerce for appropriate action. Any report of noncompliance by an eligible lending institution chartered under federal law must be referred to the office of United States comptroller of the currency or other appropriate federal regulatory agency for appropriate action.""

Renumber: subsequent sections

MINUTES OF THE MEETING
AGRICULTURE, LIVESTOCK & IRRIGATION
STATE CAPITOL BUILDING

January 23, 1987

The Agriculture, Livestock & Irrigation Committee meeting was called to order on the above date in Room 415 of the State Capitol at 1:10 p.m.

ROLL CALL: Senators Galt and Story excused, all other members present.

DISCUSSION ON SB 4: Dave Cogley reported he checked on Phil Johnson's concerns regarding how SB 4 differed from the uniform law. Uniform laws are promulgated by the National Conference of Commissioners on Uniform State Laws. Joe Mazurek and Diana Dowling were members of that commission. There is no requirement states adopt these laws verbatim. Mr. Johnson's concern is not a valid concern.

Senator Thayer had checked with Mr. Allen and decided maybe the bill wasn't really important now. After more experience with the system, he felt we can come back in two years and rewrite the bill if necessary.

DISPOSITON OF SB 4: Senator Bengtson moved SB 4 DO NOT PASS. Motion carried without a dissenting vote.

FINAL DISPOSITION OF SB 46 AND SB 102: Senator Beck voted yes that both bills pass as amended. Senator Galt will not be back until Tuesday, Senator Boylan told the committee. He asked committee approval on getting the bills out today and the committee agreed. The bills will be reported out.

In answer to Senator Beck's questions concerning SB 46 on the BD of Investment's interest rate, Dave Cogley stated that the BD of Investment had indicated to the interim committee they have in excess of 80 million dollars they can put out in CD's. The rate is determined by the board, not by the banks. The 1% is a deduction from that. It really isn't a loss to the state of more than 1%. The bank is able to charge 3 points above that rate in making the agricultural loan.

There being no further business, the meeting adjourned at 1:18 p.m.

Paul F. Boylan

PAUL F. BOYLAN, Chairman

Mr. Kelly answered that sometimes they make part of it. Then they hold the rest of it (a lot of people pay all of their taxes at one time) until March and once they pass January 1, any money that comes in in May they hold until the following January. They have the most problems where there are multiple counties involved. They are attempting to correct their holding it until the following January 1.

As a former county commissioner, Rep. Compton stated he didn't see how taxes collected by the first of November could be allocated one month later because allocation requires everything to be balanced. They couldn't get it out in a month, in a small county. If there is a little discrepancy in the balancing, no funds are distributed. It couldn't be the following month--it might be a month or so later.

Rep. Schye closed.

SENATE BILL 46

Sen. Ted Neuman, District 21, which includes parts of Cascade and Lewis & Clark Counties, offers today for consideration SB 46 which is the loan link deposit program enacted in the March special session to clear up some small problems they have had with the bill, and to authorize the action for another two years. The link deposit program allows the Board of Investments to make deposit in certain financial institutions with the condition they use these deposits and loan them out to eligible farmers and ranchers at an interest rate of 3% above the rate at which they receive the funds. That is one of the changes in the bill. During initial legislation, they had a 2% margin in there for the financial institutions. One of their complaints was that they couldn't process these loans on a 2% margin, to make it worthwhile. They said they would use the program to a greater extent if some changes were made. The first of those changes was to allow them to have a 3% spread on the interest rate. See EXHIBIT #1-1.

Secondly, after using it for a little bit, they realized that the 6-month loan was a little too short a time. When they were trying to implement the plan last spring they were trying to get the crop in the ground. So those who participated in the program did that. This would extend the length of time now on the loan from 6 months to 12 months. You can understand the need to borrow money for a year-long purpose. That is a better way to plan your finances and also to allow sufficient time

from planting to harvest. In terms of livestock, you may not always need a year-long loan, but may want to have enough flexibility in the loan to carry livestock over the winter if purchased in the spring.

The current CD rate that the Board of Investments has is about 5.9%, say 6%. The institution then is allowed 3% on that so that means they would have to put these loans out at about 8%. He is paying about 11%, so this would give the operators a 3% break, and on $50,000 that would amount to about a $1500 break for the life of the loan. $1500 doesn't seem like very much money, but it is a lot of money when you don't have it. $1500 would buy quite a few groceries, pay the power bill, and help the family get through the summer. Others will address the financial situations that exist in Montana today, and he hoped they will take time to do that.

There is a technical amendment that Tom is proposing and it pertains to the effective date of the act. If that is necessary, he hoped the committee would put it on the bill and act favorably on it.

PROPONENTS

KEITH KELLY, Director of the Department of Agriculture, supports SB 46. The DOA supports SB 46 for temporary continuation of the loan link deposit program enacted by the March special session. See his written testimony, EXHIBIT #3.

Mr. Kelly had just returned from a meeting "Today is Agriculture Action Day", and the primary thing that he saw in his mind was that whether it is appropriate at the state or federal level, it needs to be done. At that meeting of over 200 people, including our congressional delegation, the majority of them felt that if interest rates were down, there are people you will be able to help continue and carry on. There are 11% interest rates, and historically agriculture has never been an industry that paid high interest rates. It is a heavy borrower and always has been for operating capital. That is not unusual, with its large investments in land, machinery, and equipment, and the key issue was interest rates. This is a bill providing for a 1% buy down on loans that will help. There will still be some tough times ahead. He was very much in support of the bill.

KAY FOSTER, representing the Governor's Council on Economic Development, urges support of SB 46. See her testimony, EXHIBIT #4.

IRENE MOFFETT, a farmer from Dawson County, is an active member of Northern Plains Resource Council and the Montana Farmers Union. She asked for support of SB 46. It is very critical for providing farmers and ranchers with operating loans. The program has been revised to make it more useable. This is an investment in agriculture that is dearly needed. EXHIBIT #5.

KAY NORENBERG, Women Involved in Farm Economics (WIFE). They have been involved with one farm crisis or another in the state of Montana since its inception in 1985. They talk daily with people who are having financial difficulty. This program is badly needed.

AL VERSCHOOT, representing People's Action, urges support of SB 46. The bill passed last March didn't have a lot of time to work. Most people had their operating money already or didn't have it because they couldn't get it. Lending institutions didn't want to work with them because of the short period of time. He is glad to see this bill and also the amount of money that will be put out at a lower rate of interest. Three points will make a large difference in their borrowing. He urges passage of this bill.

CAROL MOSHER, Montana Stockgrowers and Montana Cattle Women, would like to go on record in support of SB 46.

JO BRUNNER, Montana Grange, Montana Cattlemen and Montana Cattle Feeders, is in support of SB 46.

BOB PYFER, Montana Credit Unions League. They don't have a lot of credit unions in Montana making agricultural loans, but they do have a few and have been in contact with one of them who has looked into the program. They feel that it is a good option to have out there in times of low liquidity. They support the bill.

TERRY CARMODY, Montana Farmers Union, wanted to be on record as being in support of SB 46.

REPRESENTATIVE GAY HOLLIDAY, District 31, Roundup, is a proponent of SB 46. On behalf of the Agriculture Interim Committee, of which she is currently vice chairman, she brings this bill to the Legislature.

OPPONENTS - None

QUESTIONS FROM THE COMMITTEE

Rep. Koehnke asked Sen. Neuman how much money was loaned under the program. Sen. Neuman answered that it was $1.9 million, loaned to 42 ranchers the six months the program was in operation. Sen. Neuman said six institutions had used the program.

Rep. Campbell asked if there had been any losses under this program. Sen. Neuman said no, the Board of Investments has required very strict pledging. There have been some changes in the law now. The financial institutions pledge the assets that the farmer pledges to the bank as security for the loan. Up to this time, the Board of Investments required the use of other security such as bonds, etc., and that was kind of a problem. That pledging requirement has been changed.

SEN. NEUMAN closed thanking the proponents who came up and supported SB 46 and the Interim Ag Committee who worked on this bill and carried it on their behalf also. He thinks the program is very important. He has had visits with several lenders since we have been working on this bill last summer and this fall, and they indicated they would use this program to a greater extent if these changes were made. He hopes that the lenders will take this money and pass it on to the farmers and ranchers in Montana.

HOUSE BILL 620

Rep. Leo Giacometto, District 24, representing Wibaux, Fallon, Carter, and half of Powder River Counties, said HB 620 is an act to require notice of a landowner's right to a hearing in a dispute over weed control responsibility; to prevent implementation of weed control measures by the County Weed Board in such a case, except in an emergency; to provide for determination of liability for the cost of emergency measures; and amending sections 7-22-2123 and 7-22-2124, MCA.

The weed board under the present law still has some loopholes in it. People did not know they had a right to a hearing. On page 2(e) they just included, in the note that they send to the individual rancher or landowner, that he has a right to a hearing. The hearing was already in the law, but it was not stated in the notice sent to the landowner, so they didn't know about it. This is not really a change in the law, it is just letting them know they have a right to a hearing. Page 3, line 8 inserted that unless corrective action is taken or they haven't requested a hearing, it clarifies just what takes place when you have a hearing. In the law it just said you had a right to a hearing but did not state for what purpose it might be. If

it be paid within 60 days. Rep. Compton and Rep. Poff thought it would take some time if there were any problems with it. It would take at least 60 days. It is hard to put a limit on it.

Rep. Holliday saw no problem at all. If it is collected, they already have to pay it all by January 1. If we extend that to 60 days, that is more leniency as far as time frame than they already have. She thought it would be easier to make one installment the first of December or January.

Rep. Corne' thought this bill doesn't really address a time period after receipt of funds that it has to be delivered. It just says they have to be delivered the tenth of the month. Any money that belongs to a district has to be delivered by that date each month. That's the way the title reads.

Rep. Patterson said this bill would be an advantage to the person who becomes delinquent and doesn't pay his taxes until spring. The way the law is now, the guy has a water assessment due and the treasurer doesn't have to make that payment to the water board until the following January. If the guy is delinquent on the first of November and doesn't pay until spring in May or June, this would allow them to pass that directly to that district. It would be an advantage for the district for someone to be delinquent for treating that money.

Rep. Koehnke said there are some in their water district who don't pay until they need the water. Rep. Compton thought that was true in all districts.

Rep. Ellison thought there are two different methods of assessing for water. Some of them are assessments on your taxes, and some of the state projects in water districts are assessed by the association.

Rep. Koehnke answered that in just their district, it was on the taxes, but just this year they were separated because people who wanted to protest their taxes still wanted to pay their water bill. Rep. Ellison asked the procedure for taking the water assessments off the tax statements. He was told this was not germaine to the bill.

SENATE BILL 46

Tom Gomez, researcher for the Committee, explained an amendment must be attached by this committee if you choose to recommend it for passage. There is a defect in SB 46. It was clearly

intended that the bill provide an immediate effective date and a termination date. The immediate effective date is necessary because in the special session the Legislature enacted this law with a termination date of March 15 of this year. There is a section that looks like it might be the effective date, but it isn't. In section 5, line 18, it says that Chapter 5, special session laws of March 1986 as amended. Then you see an amendment. That only relates to this law. There is nothing here about this law that you are enacting. Without the amendment, these sections of law amended by SB 46 will be terminated on March 15, 1987, and because there is no effective date for this act, this act will not take effect until October 1. So it is seriously doubtful that SB 46 can take effect if the provisions of law being amended do not exist. Those sections will be gone March 15. SB 46 won't take effect until October.

Rep. Jenkins said all they have to do is take the effective date to March 15 on the Senate Bill? This was affirmed.

Rep. Holliday said she did not understand. Isn't the exact wording in the amendment? Mr. Gomez said the little section there is the exact language (EXHIBIT #6). Notice the quotation marks around it. It is amending this part of the law that had been amended in the March special session. This law goes out of effect on March 15. SB 46 will not go into effect until October. This act is not in reference to SB 46. This act is in reference to Chapter 5, special session laws of March. He thought that is how the problem arose. It had been intended that there be an immediate effective date, so that continuity existed, and then bring it up to termination.

Rep. Jenkins asked if you would then drop section 5, Chapter 9 completely out of this bill. Mr. Gomez said no, that section would also have to stay.

Rep. Giacometto moved that Mr. Gomez draw up the appropriate amendment for this bill. See EXHIBIT #5A.

(Discussion regarding timeframe for acting on this bill was had. By putting an amendment on it, it would have to go through the House and go back to the Senate Ag Committee for approval, and then be signed by the Governor by March 15.)

Mr. Gomez further explained that this is the second thing that needs to be clarified. There is a companion bill for SB 46,

HB 275, sponsored by Rep. Rapp-Svrcek, also recommended by the Interim Subcommittee on agricultural problems. The question presented to Mr. Gomez was is it necessary to have HB 275 in order to have SB 46. The answer is no. But this SB 46 can be enacted and go into effect on its own terms without the appropriation. Something that isn't apparent from SB 46 is that once again all of these laws that you enacted in the March special session are going to come back. That's why this was amended from the special session law: to bring back everything in this act which was SB 7 in the March session. One of those parts is that the board may place public funds under its control not exceeding $50 million in link deposits in eligible institutions qualified under this act to receive such deposits. Based on that provision alone, if this bill is enacted without the appropriation, SB 46 would go into effect on its own, with fiscal consequences which would be if all the $50 million were used in the link deposit program. There would be a loss of $500,000 to all agencies of government and other political entities that have money invested in the short term investment pools of the Board of Investments because of 1% buydown that is provided for in the link deposit program.

Rep. Rapp-Svrcek said HB 275 has been heard by the Subcommittee on Natural Resources and they are holding it for the arrival of SB 46 so that the program can be considered as a package.

Rep. Cody asked if SB 46 is passed before hearing HB 275, are we going to hear Rep. Rapp-Svrcek's bill? Rep. Rapp-Svrcek said it was his understanding that this committee will not hear HB 275 here but that SB 46 will be transferred to the Subcommittee on Natural Resources. Rep. Cody said if SB 46 is passed, it will still have to go down to the Appropriations Committee.

Rep. Bachini moved SB 46 BE CONCURRED IN, and Rep. Giacometto seconded the motion.

Rep. Giacometto then moved the amendments BE ADOPTED. Rep. Bachini seconded the motion. It was unanimously ADOPTED. The motion that SB 46 BE CONCURRED IN AS AMENDED was unanimously ADOPTED.

Rep. Rapp-Svrcek said that was his understanding that we don't have to hear HB 275 in the Committee. He stands to be corrected.

Rep. Compton mentioned there was a probability of a combined Senate and House committee meeting at 7:00 p.m. This has been declared Ag Crisis Day.

STANDING COMMITTEE REPORT

February 13 19 87

Mr. Speaker: We, the committee on AGRICULTURE, LIVESTOCK & IRRIGATION

report SENATE BILL 46

☐ do pass ☒ be concurred in ☒ as amended
☐ do not pass ☐ be not concurred in ☐ statement of intent attached

REP. DUANE W. COMPTON Chairman

1. Page 7.
Following: line 24
Insert: "NEW SECTION. Effective date -- termination. This act is effective on passage and approval and terminates June 30, 1989."

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reading copy (color)

EXHIBIT #1-1
DATE Feb. 13, 1987
SB46-Sen Ted Neuman

BILL SUMMARY
(SB 46)

Prepared for the House Agriculture, Livestock, and Irrigation Committee

By Tom Gomez, Staff Researcher
Montana Legislative Council

Senate Bill 46 is a bill to extend authorization for the agricultural loan linked deposit program, which was established during the March 1986 Special Session.

Senate Bill 46, as amended, contains the following main provisions:

-- Increases from 6 months to 1 year the term for deposit of state funds in financial institutions participating in the linked deposit program;

-- Extends the term for linked deposit loans from 6 months to 1 year;

-- Allows participating financial institutions to write linked deposit loans at an interest rate 3 percentage points greater than the rate payable to the state on the certificate of deposit, rather than at 2 percent as under present law;

-- Provides that the loan obligation itself may be used to satisfy the financial pledging requirement governing security for state investments;

-- Reauthorizes code provisions that allow the board of investments to place up to $50,000,000 in public funds in lending institutions qualified to receive such deposits; and

-- Provides for termination of the agricultural linked deposit program on June 30, 1989.

GOMEZ/tpg/7044C.TXT

EXHIBIT #3
DATE Feb. 13, 1987
HB SB 46 - Sen. Ted Neuman

STATE OF MONTANA
DEPARTMENT OF AGRICULTURE

TED SCHWINDEN
GOVERNOR

KEITH KELLY
DIRECTOR

AGRICULTURAL DEVELOPMENT DIVISION
AGRICULTURE/LIVESTOCK BLDG.
CAPITOL STATION
HELENA, MONTANA 59620-0201

MICHAEL MURPHY
ADMINISTRATOR
(406) 444-2402

TESTIMONY OF MONTANA DEPARTMENT OF AGRICULTURE
FOR THE HOUSE AGRICULTURE, LIVESTOCK, AND IRRIGATION COMMITTEE
ON SENATE BILL 46
FRIDAY, FEBRUARY 13, 1987
HELENA, MONTANA

Chairman Compton and members of the Committee. The Montana Department of Agriculture supports Senate Bill 46 for the temporary continuation of the Agricultural Loan Linked Deposit Program.

The problems facing our state's agricultural industry have not disappeared. Studies indicate that Montana's adverse economic conditions in agriculture and other industry have not yet bottomed out and may not for sometime to come.

High interest rates are one of the primary factors contributing to the cashflow problems facing our farmers and ranchers. The Agricultural Loan Linked Deposit Program will provide relief from high interest rates for some of our state's producers. The availability of the lower interest financing may make the difference as to whether or not a farmer or rancher is able to continue in agriculture.

Senate Bill 46 also addresses concerns that have been noted by lenders around the state and the Governor's Council on Economic Development.

For these reasons the Montana Department of Agriculture supports Senate Bill 46.

EXHIBIT #4
DATE Feb. 13, 1987
~~HB~~ SB 46 - Sen. Neuman

February 13, 1987

TESTIMONY IN SUPPORT OF SB46

Mr. Chairman and Members of the Committee:

My name is Kay Foster. I represent the Governor's Council on Economic Development. I am the Deputy Mayor of Billings, a community largely dependent uponthe economic health of the farmers and ranchers in this state.

For 9 months the Agricultural Debt Subcommittee of the Governor's Council studied and held public hearings and the bill before you embodies one of eight agricultural recommendations unanimously approved by the full Council. The Council felt that the changes recommended by Senator Neuman allowing a larger point spread between the CD rate and loan rate and extending the term of the loan were important improvements in the loan program and will assure wider use of this method of financing agricultural debt.

The Governor's Council urges your support of SB46.

NORTHERN PLAINS RESOURCE COUNCIL

EXHIBIT #5
DATE Feb. 13, 1987
SB 446 Dr. Jed Neuman

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Box 858
Helena, MT 59624
(406) 443-4965

Main Office
419 Stapleton Building
Billings, MT 59101
(406) 248-1154

Field Office
Box 886
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(406) 365-2525

Testimony in Support of SB 46
February 13, 1987

Mr. Chairman, members of the committee. I am Irene Moffett, a farmer from Dawson County. I am an active member of both the Northern Plains Resource Council and the Montana Famers Union.

I ask you to support Senate Bill 46. I believe the program is very critical in helping provide farmers and ranchers with operating loans.

The program has been revised to make it more usable, for the banks. I urge you to support SB 46. This is an investment in agriculture that is dearly needed.

Thank you.

VISITORS' REGISTER

House Ag Livestock & Drug COMMITTEE

BILL NO. SB 46 DATE Feb. 13, 1986

SPONSOR Sen. Neuman

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Dave Moffatt	NPRC Myself	✓	
Kay Foster	Governor's Council on Economic Development	✓	
Bob Pfeifer	Mont. Credit Unions League	✓	
Al Dewitt			
Wally Hoar			
Kay Mendenhall	WIFE	X	
KEITH KELLY	DEPT OF AGRICULTURE	X	
Carol Mosher	Mt. Stockgrowers Mt. Cattle Women	X	
Bob Stephens	Mt. Grain Growers	X	
Anne Block	Northern Plains Res. C.	X	
J Bryson	Hung Cattlemen-Cattlewomen		
Tom Cowan Dg	Mt Farmers U	X	
Ray Huckins		X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOI

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

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